

**BLANKROME**

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January 20, 2023

**BY EMAIL**

Scott A. Hartman, Assistant United States Attorney  
Jordan L. Estes, Assistant United States Attorney  
United States Attorney's Office  
Southern District of New York  
One St. Andrew's Plaza  
New York, New York 10007  
Email: [scott.hartman@usdoj.gov](mailto:scott.hartman@usdoj.gov)  
[jordan.estes@usdoj.gov](mailto:jordan.estes@usdoj.gov)

Re: *United States v. Hild*, Crim. No. 19-602 (S.D.N.Y.) – Live Well  
Financial, Inc. Estate Restitution Claim for Expenses

Dear AUSAs Hartman and Estes:

As you know, this Firm is co-counsel to David W. Carickhoff, solely in his capacity as the duly appointed and qualified chapter 7 trustee (the "Trustee") of the bankruptcy estate (the "Estate") of Live Well Financial, Inc. ("Live Well"), including in connection with the above-captioned matter.

We submit this letter in response to your inquiry about the expenses the Estate has incurred during participation in your Office's investigation and prosecution of the offenses committed by defendant Michael C. Hild ("Hild") and attendance at proceedings related thereto.

As you know, the Trustee and his professionals have participated in and cooperated with various aspects of the investigation and prosecution of Hild, including responding to a grand jury subpoena; responding to other requests for information; communicating with your Office, with Mr. Hild's counsel, and with counsel for certain trial witnesses; and participating in various calls, meetings, and other proceedings in connection with the criminal case, among other things.

Below is a chart summarizing the legal and professional fees and other expenses incurred by the Estate during its participation in the investigation and prosecution of Hild's offenses:

	Hourly Professional Fees	Reimbursable Expenses
Blank Rome LLP	\$146,482.00	\$713.10
SOLIC Capital Advisors LLC	\$67,114.00	\$809.15
Archer & Greiner, P.C.	\$18,732.00	--

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Scott A. Hartman, Assistant United States Attorney  
 Jordan L. Estes, Assistant United States Attorney  
 January 19, 2023  
 Page 2

Chapter 7 Trustee	--	\$20,000.00 (Special Counsel, Inc./D4 charges to Live Well estate; servicer cost for Grand Jury Production)
<b>Total (7/1/2019 to 10/31/2022)</b>	<b>\$232,328.00</b>	<b>\$21,522.25</b>


The supporting documents for these amounts have been filed publicly in the Live Well bankruptcy estate or are available upon request to the Trustee. *In re Live Well Financial, Inc.*, 19-11317 (LSS) (Bankr. D. Del.). At your request, we would be happy to provide you with copies of the relevant invoices.

As you know, the Estate suffered significant damages as a result of the criminal and fraudulent conduct of Hild and others. These damages are set forth in greater detail in the civil complaint filed by the Trustee against Hild, *et al.*, and in our June 10, 2021 letter to your Office regarding the Estate's restitution claims (for damage to the value of Live Well's business as a result of Hild's and his associates' criminal conduct, in an aggregate amount of \$83 million) and victim impact statement a copy of which letter is attached.

Please let us know if your Office has any questions or needs any additional information.

We thank you and the other members of your Office for their hard work and dedication throughout this matter. We look forward to continuing our collaborative efforts to make whole the victims of Hild's fraud.

Very truly yours,



Michael B. Schaedle

Cc: David W. Carickhoff, Chapter 7 Trustee  
 Joseph G. Poluka, Esq.  
 Bryan J. Hall, Esq.

**EXHIBIT**



One Logan Square  
130 North 18th Street | Philadelphia, PA 19103-6998

**CONFIDENTIAL; PRIVILEGED**

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June 10, 2021

**BY EMAIL**

Scott A. Hartman, Assistant United States Attorney  
Jordan L. Estes, Assistant United States Attorney  
United States Attorney's Office  
Southern District of New York  
One St. Andrew's Plaza  
New York, New York 10007  
Email: scott.hartman@usdoj.gov  
jordan.estes@usdoj.gov

Re: United States v. Hild, Crim. No. 19-602 (S.D.N.Y.) - Live Well Financial, Inc. Estate Restitution Claims and Victim Impact Statement

Dear Mr. Hartman and Ms. Estes:

This firm is co-counsel to David W. Carickhoff, solely in his capacity as the duly appointed and qualified chapter 7 trustee (the "Trustee") of the bankruptcy estate (the "Estate") of Live Well Financial, Inc. ("Live Well"), including in connection with the above-captioned matter. When Live Well became subject to an order for relief entered by the United States Bankruptcy Court for the District of Delaware, the Trustee was selected from a panel of fiduciaries by the Office of the United States Trustee to serve as, and the Trustee is, the sole authorized representative of and fiduciary for Live Well and the Estate. We submit this letter in response to your inquiry regarding whether the Estate may have any restitution claims arising from the criminal conduct of Michael C. Hild, Eric G. Rohr, and C. Darren Stumberger or would provide a victim impact statement.

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June 10, 2021

Page 2

In addition to the substantial damages suffered by each of the repo lenders that was victimized by Hild, Rohr, and Stumberger, Live Well and the Estate suffered extensive damages as a result of their crimes and frauds. The Estate exists for the benefit of Live Well's creditors generally, and all of the non-insider creditors of that Estate are also victims of Hild's crimes and fraud. The Trustee, as the representative of the Estate and its creditor-victims, has identified the following victim impacts, which he asserts as claims on behalf of the Estate for restitution and otherwise:

- **Reverse Mortgage Servicing Business.** In 2018, Live Well's legitimate business operations of originating and servicing reverse mortgage loans were generating over \$67 million in net revenues per year, and the assets Live Well used in the operation of those businesses had a book value of approximately \$194 million. Moreover, Live Well's assets from its core mortgage origination and servicing businesses comfortably exceeded their related liabilities, and the fair market value of those businesses was well over \$100 million.

However, in November 2018, Hild, with substantial assistance from Rohr, sold Live Well's reverse mortgage master servicing rights (the most valuable asset of Live Well's business) for an amount significantly below its fair value in an effort to generate much needed liquidity to pay down the debts Live Well had incurred as a result of Hild's bond pricing fraud. Specifically, Live Well's servicing business was sold for a fire-sale price, resulting in a loss to the Live Well Estate of at least \$15 million.

- **Mortgage Loan Origination Business.** By early May 2019, the government was closing in on Hild and his co-conspirators. At the same time, Live Well's new interim CFO, Glen Haddock, refused to sign off on the company's first quarter financial statements because they contained fraudulently inflated bond valuations that had remained unchanged for nearly two years. In response, Hild abruptly shut down Live Well's mortgage origination business on May 3, 2019. The fair-market value of Live Well's mortgage origination business and related assets, which were dissipated and lost due to Hild's decision to abruptly shutter Live Well, was at least \$18 million.
- **Preferred Stockholder Payoff.** Between June and September 2016, Hild engineered the payoff of the preferred stockholders of Live Well and the resignations of three Board members, so that Hild could assume unfettered control of Live Well and vastly overcompensate himself. To do this, Hild caused fraudulently inflated bond prices to be submitted and used the excessive bond borrowings to finance more than \$18 million that was paid to the preferred



# BLANKROME

June 10, 2021

Page 3

stockholders of Live Well even though, by mid-2016, Live Well was insolvent and the preferred stock was worthless. Rohr and Stumberger each provided material support for Hild's efforts to pay off the preferred stockholders, and, after that transaction closed, Hild used his unfettered control to vastly overcompensate himself, Rohr, and Stumberger.

- **Overcompensation and Corporate Waste.** Hild, Rohr, and Stumberger planned and perpetuated the fraud in order to enrich themselves at the expense of the Estate and creditors. Based upon the Trustee's investigation to date, Hild, Rohr, and Stumberger collectively stripped from Live Well more than \$29 million in excessive and unjustified compensation, bonuses, and other improper transfers, including \$22 million of overcompensation paid to Hild, more than \$2.9 million of overcompensation paid to Rohr, and nearly \$4.2 million of overcompensation paid to Stumberger. Hild also caused Live Well to pay over \$1 million of excessive historical director fees to Stuart Cantor, more than \$3 million of attorney's fees for Hild's, Rohr's, and Stumberger's personal defense counsel, and a currently unquantified amount of Live Well's resources which Hild diverted to his own personal businesses and for which Live Well was not reimbursed. As a result of the foregoing, Live Well and its Estate suffered damages of at least \$32 million.
- **Claims Against the Estate.** As a result of the fraud perpetrated by Hild, Rohr, and Stumberger, third parties that transacted business with Live Well during the relevant time periods have asserted extensive claims against the Estate. Therefore, the Estate suffered additional damages as a result of the fraud in the amount of at least \$110 million, which is the aggregate amount of non-insider unsecured claims asserted against the Estate as detailed in **Exhibit A** hereto.<sup>1</sup>

The Trustee reserves the right to amend or supplement the losses described in this letter, including to increase the amounts set forth herein or assert restitution claims for additional losses incurred by the Estate as a result of the crimes and fraud perpetrated by Michael Hild, Eric Rohr, and Darren Stumberger.

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<sup>1</sup> Nothing in this Victim Impact Statement or in Exhibit A hereto is finally binding upon the Trustee or the Estate as to the validity, extent, or amount of any claims, and all of the Trustee's and the Estate's rights in connection with reconciling claims against the Estate are reserved in full. Exhibit A is an illustration of known, non-insider claims against the Estate as of this writing and is included solely to support this Victim Impact Statement.

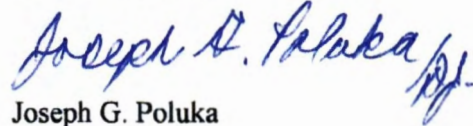
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June 10, 2021

Page 4

We look forward to continuing our collaborative efforts to make whole the victims of Hild's fraud through the parallel processes ongoing in Live Well's bankruptcy case and the Hild criminal proceedings.

Very truly yours,

A handwritten signature in blue ink, reading "Joseph G. Poluka" with a stylized flourish at the end.

Joseph G. Poluka

cc: Michael B. Schaedle (via electronic mail)  
David W. Carickhoff  
Chapter 7 Trustee  
300 Delaware Avenue, Suite 1100  
Wilmington, DE 19801  
Email: dcarickhoff@archerlaw.com

**EXHIBIT A**

**Non-Insider Unsecured Claims**



**Confidential/Attorney Client Privilege/Attorney Work Product**  
**Draft dated 5/17/2021**

Live Well Financial, Inc.  
Case No. 19-11317 (LSS) (Bankr. D. Del.)

**Preliminary Reconciliation of Filed Proofs of Claim Against the Live Well Chapter 7 Estate**

Filed proofs of claim	\$161,600,000
Estimated unliquidated claims	\$4,000,000
Total estimated prepetition claim:	<u>\$165,600,000</u>

Excluded insider claims

Michael Hild filed claims	(\$40,091,374)
Eric Rohr filed claims	(\$333,700)
Former preferred stockholders filed claims	(\$10,167,355)
Total insider claims:	<u>(\$50,592,429)</u>

Total estimated claims net of excluded insider claims:	<u>\$115,007,571</u>
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Bond repo lender claims (filed or estimated)

Mirae	\$22,964,797
ICBCFS	\$36,000,000
Flagstar Bank	\$30,088,276
Customers Bank	\$7,876,254
Total bond repo lender claims:	<u>\$96,929,327</u>
Percentage of partially reconciled non-insider claims pool:	84.3%

Non-bond repo lender claims include, among others, the follow:

First Tennessee (est. deficiency claim)	\$4,000,000
Fannie Mae	\$1,206,163
Republic Bank	\$319,615
Prepetition tax (est. subject to material modification)	\$370,494
Prepetition vendors	\$2,162,208
Prepetition employees (excl. WARN)	\$19,056
Prepetition litigation, including WARN Act (est. subject to material mod.)	\$6,500,000
Other	\$3,500,709
Total:	<u>\$18,078,244</u>
Percentage of partially reconciled non-insider claims pool:	15.7%

\* Bond repo and other lender claim amounts exclude legal fees and other amounts to which such creditors may be entitled.

\*\* The foregoing preliminary estimates are provided for illustrative purposes only and are subject to material modifications.